


The International Nickel Company of Canada, Limited

ANNUAL REPORT

1964



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July 21, 1965

The International Nickel Company of Canada, Limited

(INCORPORATED UNDER THE LAWS OF CANADA)

ANNUAL REPORT

1964



Headframe and Smelter Stack at Thompson — Painting by Terence Cuneo

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

General Offices: Copper Cliff, Ontario, Canada

Toronto Office: 55 Yonge Street, Toronto 1, Ontario, Canada

THE INTERNATIONAL NICKEL COMPANY, INC.

General Offices: 67 Wall Street, New York, N. Y. 10005, U.S.A.

INTERNATIONAL NICKEL LIMITED

General Offices: Thames House, Millbank, London, S. W. 1, England

HENRY WIGGIN & COMPANY, LIMITED

General Offices: Thames House, Millbank, London, S. W. 1, England

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THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

(As of February 23, 1965)

OFFICERS

Chairman

HENRY S. WINGATE

President

J. ROY GORDON

Honorary Chairman—Chairman Executive Committee

JOHN F. THOMPSON

Executive Vice-President

ALBERT P. GAGNEBIN

Senior Vice-President

RALPH H. WADDINGTON

Executive Vice-President

JAMES C. PARLEE

Vice-President

RICHARD A. CABELL

Vice-President

THOMAS W. CHILDS, C.B.E.

Vice-President

JOHN A. MARSH

Secretary

WILLIAM F. KENNEDY

Treasurer

F. M. A. NOBLET

Comptroller

WALTER A. MCCADDEN

DIRECTORS

Term Expires 1965

HON. LEWIS W. DOUGLAS.....Sonoita, Arizona
J. ROY GORDON.....New York, N. Y.
G. ARNOLD HART, M.B.E.....Montreal, P. Q.
H. R. MACMILLAN, C.B.E.....Vancouver, B. C.
THE RT. HON. VISCOUNT MARGESSON, P.C., M.C.
London, England
R. SAMUEL McLAUGHLIN.....Oshawa, Ont.
H. C. F. MOCKRIDGE, Q.C.....Toronto, Ont.
THEODORE G. MONTAGUE.....Greenwich, Conn.
SIR RONALD L. PRAIN, O.B.E.....Lusaka, Zambia
GEORGE C. SHARP.....Katonah, N. Y.
JOHN F. THOMPSON.....New York, N. Y.
THE RT. HON. VISCOUNT WEIR, C.B.E. Glasgow, Scotland

Term Expires 1966

WILLIAM C. BOLENIUS.....Cutchogue, N. Y.
NORRIS R. CRUMP.....Montreal, P. Q.
JAMES H. GOSS.....Rye, N. Y.
THE RT. HON. VISCOUNT KNOLLYS, G.C.M.G.,
M.B.E., D.F.C.....London, England
ALLEN T. LAMBERT.....Toronto, Ont.
DONALD H. McLAUGHLIN.....San Francisco, Calif.
SIR OTTO E. NIEMEYER, G.B.E., K.C.B. London, England
ELLMORE C. PATTERSON.....Bedford, N. Y.
JAMES A. RICHARDSON.....Winnipeg, Man.
R. EWART STAVERT.....Montreal, P. Q.
J. C. TRAPHAGEN.....West Nyack, N. Y.
WILLIAM K. WHITEFORD.....Pittsburgh, Pa.
HENRY S. WINGATE.....New York, N. Y.

Gulf Oil

EXECUTIVE COMMITTEE

JOHN F. THOMPSON, *Chairman*

J. ROY GORDON

R. SAMUEL McLAUGHLIN

H. C. F. MOCKRIDGE, Q.C.

THEODORE G. MONTAGUE

J. C. TRAPHAGEN

HENRY S. WINGATE

ADVISORY COMMITTEE

THE RT. HON. VISCOUNT MARGESSON, P.C., M.C., *Co-Chairman*

R. SAMUEL McLAUGHLIN, *Co-Chairman*

LANCE H. COOPER, M.B.E.

J. ROY GORDON

H. R. MacMILLAN, C.B.E.

JOHN F. THOMPSON

HENRY S. WINGATE

COUNSEL

SULLIVAN & CROMWELL

OSLER, HOSKIN & HARCOURT

LINKLATERS & PAINES

AUDITORS

PRICE WATERHOUSE & Co.

TRANSFER AGENTS

CANADA PERMANENT TRUST COMPANY.....Toronto, Ont.

THE ROYAL TRUST COMPANY.....Montreal, P. Q.

MORGAN GRENFELL & Co. LIMITED.....London, England

BANKERS TRUST COMPANY.....New York, N. Y.

REGISTRARS

MONTREAL TRUST COMPANY.....Toronto, Ont.

MONTREAL TRUST COMPANY.....Montreal, P. Q.

LLOYDS BANK LIMITED.....London, England

MORGAN GUARANTY TRUST COMPANY OF NEW YORK.....New York, N. Y.

DIVIDEND DISBURSING AGENTS

BANKERS TRUST COMPANY.....New York, N. Y.

MORGAN GRENFELL & Co. LIMITED.....London, England

SUMMARY OF RESULTS

	1964	1963	1962
Net Earnings	\$135,768,000	\$106,311,000	\$ 94,221,000
Per Share	\$ 4.59	\$ 3.60	\$ 3.19
Dividends	\$ 81,251,000	\$ 66,295,000	\$ 55,912,000
Per Share	\$ 2.75	\$ 2.25	\$ 1.90
Income Taxes	\$ 66,684,000	\$ 43,622,000	\$ 37,429,000
Capital Expenditures	\$ 44,375,000	\$ 36,032,000	\$ 61,033,000
Nickel Deliveries (pounds) . . .	444,190,000	350,730,000	318,170,000
Copper Deliveries (pounds) . . .	286,530,000	253,550,000	267,280,000
Platinum-Group Metals and Gold Deliveries (troy ounces)	544,800	439,400	410,800

Dollar figures in this Report are expressed in United States currency, unless otherwise stated.

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED
AND SUBSIDIARIES

Copper Cliff, Ontario
February 23, 1965

To the Shareholders:

HIGHLIGHTS OF THE YEAR

For International Nickel, the year 1964 was an outstanding year in which earlier records were surpassed.

The Company's net earnings were \$135,768,000, or \$4.59 per share, an increase of \$29,457,000 over the previous high established in 1963.

Dividends paid to shareholders amounted to \$2.75 per share, compared with \$2.25 in 1963. In November the Directors raised the quarterly dividend from 55¢ to 62½¢ per share and declared a year-end extra of 47½¢ per share. Dividend disbursements amounted to \$81,251,000, an increase of \$14,956,000 over the sum paid in 1963.

The Company's deliveries of nickel totaled 444,190,000 pounds, a gain of 71,730,000 pounds over the former high attained in 1961, and of 93,460,000 pounds over 1963. Deliveries of platinum-group metals and gold were also the highest for any year. In addition, the Company's deliveries of copper and of iron ore were up substantially.

Free-world consumption of nickel, as well as nickel production-capability, attained record levels. Estimated consumption throughout the free world rose to an all-time high of 640,000,000 pounds. At the same time, the free world's estimated annual nickel production-capability increased to more than 700,000,000 pounds. The production-capability of International Nickel itself was raised to 440,000,000-450,000,000 pounds of nickel per year.

The year 1964 also saw the completion of our project for the modernization and concentration of our United Kingdom rolling mill operations at Hereford, England; the opening of our new product research laboratory at Sterling Forest, New York; the commencement of production at our new Crean Hill mine in the Sudbury District of Ontario; and the beginning of development of a new mine, known as the Birchtree mine, to prepare for production from our newly discovered ore body in the Thompson area of Manitoba.

NET EARNINGS

Net earnings for the year were \$135,768,000, compared with the previous high of \$106,311,000 in 1963, and \$94,221,000 in 1962. The past year's earnings are equivalent to \$4.59 per share, compared with \$3.60 in 1963 and \$3.19 in 1962.

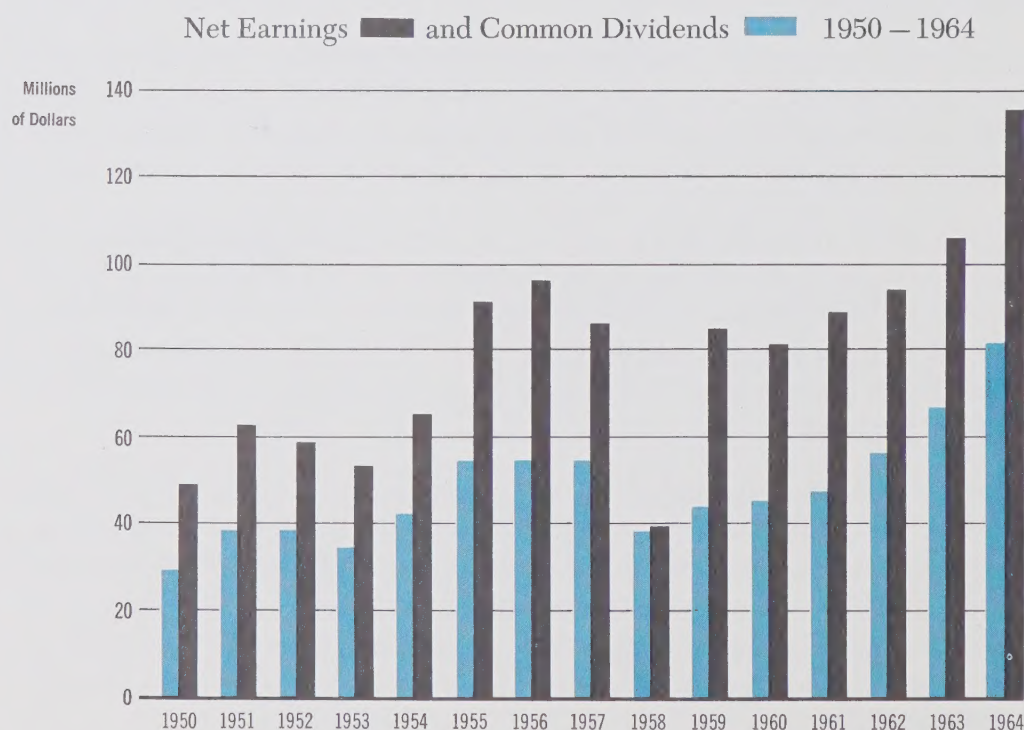
The improved earnings resulted largely from increases of 27 per cent in our nickel deliveries, 13 per cent for copper, and 24 per cent for platinum-group metals and gold. Also contributing to the higher earnings were improved prices for copper and platinum-group metals and larger deliveries of iron ore and other products.

The 1964 earnings also reflected non-recurring tax savings during the first half of the year result-

ing from the three-year "new mines" exemption from Canadian income tax, applicable to profits derived from our Thompson mine operations. The exemption for this mine started in 1961 and ended on June 14, 1964. The "new mines" exemption for our Clarabelle mine continued throughout 1964 and will end on April 30, 1965, when the first three years of operation will have been completed.

DIVIDENDS

The Company paid quarterly dividends of 55¢ per share in March, June and September. In November the quarterly dividend was raised to 62½¢ per share, and a year-end extra of 47½¢ was declared.



This brought total dividends for the year to \$2.75 per share, compared with \$2.25 per share in 1963 and \$1.90 per share in 1962. Dividend disbursements in 1964 amounted to \$81,251,000, compared with the previous high of \$66,295,000 in 1963, and \$55,912,000 in 1962.

DELIVERIES OF METALS

Deliveries of nickel in 1964 totaled 444,190,000 pounds compared with 350,730,000 pounds in 1963 and 318,170,000 pounds in 1962. The former record, established in 1961, was 372,460,000 pounds. Dur-

ing the year the Company delivered in every quarter over 100,000,000 pounds of nickel. This was more than in any previous quarter in the Company's history.

Copper deliveries totaled 286,530,000 pounds, compared with 253,550,000 pounds in 1963 and 267,280,000 pounds in 1962.

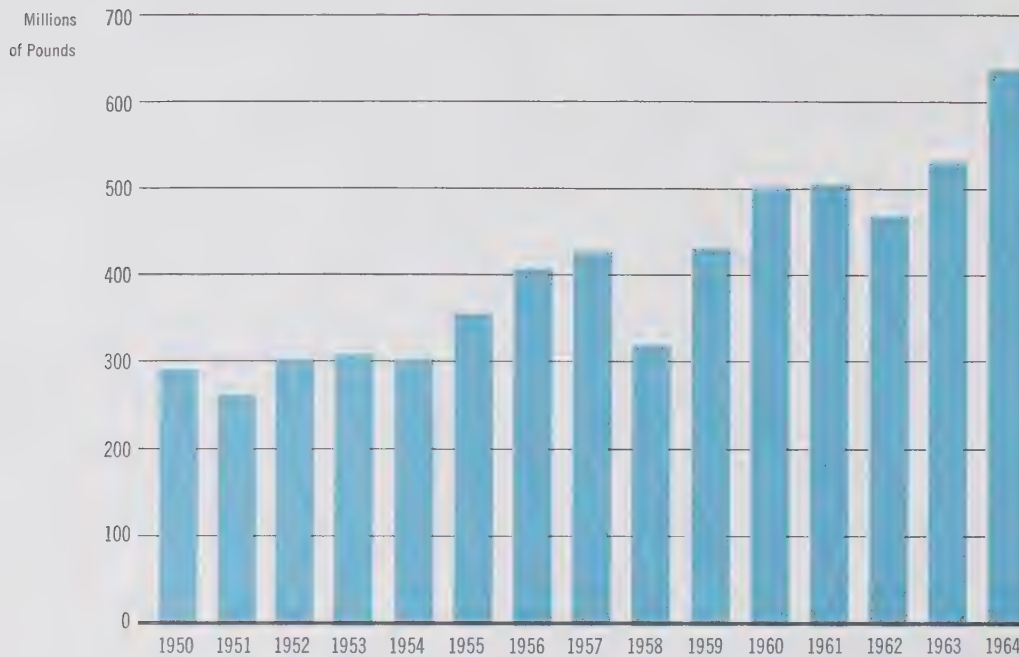
Deliveries of platinum-group metals (platinum, palladium, rhodium, ruthenium and iridium) and gold were 544,800 troy ounces, compared with 439,400 ounces in 1963 and 410,800 ounces in 1962. The previous high was 487,700 ounces, delivered in 1955.

DELIVERIES OF METALS

	1964	1963	1962
NICKEL	POUNDS		
Primary Nickel and Related Products*	393,980,000	303,070,000	265,530,000
Nickel in Rolling Mill Products.....	50,210,000	47,660,000	52,640,000
Nickel in all forms — Total.....	444,190,000	350,730,000	318,170,000
COPPER	286,530,000	253,550,000	267,280,000
COBALT	2,750,000	2,150,000	2,280,000
	TROY OUNCES		
PLATINUM-GROUP METALS AND GOLD...	544,800	439,400	410,800
SILVER	1,493,000	1,403,000	1,741,000
	LONG TONS		
IRON ORE	734,000	458,000	257,000

* Including salts and chemicals and electroplating anode bars.

Estimated Free World Nickel Consumption 1950 — 1964



Deliveries of iron ore amounted to 734,000 long tons, compared with 458,000 tons in 1963 and 257,000 tons in 1962.

The table on page 9 shows the deliveries of our principal metals for the past three years. Selenium, tellurium, and sulphur are also recovered from the Company's ores.

NICKEL MARKETS

Nickel consumption in the free world in 1964 rose to an estimated 640,000,000 pounds, com-

pared with the record 533,000,000 pounds of the previous year, an increase of 107,000,000 pounds.

The large gain in consumption accompanied booming industrial activity in major nickel-consuming countries, with new levels of stainless steel and of alloy steel production. Nickel consumption in the United States reached 300,000,000 pounds for the first time in any year, an increase of 45,000,000 pounds over the previous year. Consumption in Europe, including the United Kingdom, likewise increased some 45,000,000 pounds to a total of 250,000,000 pounds; and consumption

*Nickel Stainless Steel is Featured in
Toronto's New City Hall ►*

$$\begin{array}{r}
 53 \quad .83 \\
 640 \overline{) 533.0} \\
 \underline{512.0} \\
 210.0
 \end{array}$$

$$\begin{array}{r}
 533 \quad .210 \\
 \overline{) 107.00} \\
 \underline{106.6} \\
 0400
 \end{array}$$

also increased substantially in Japan and in other nickel-consuming countries.

Part of the increased consumption of primary nickel reflected the necessary "pipeline" build-up of nickel-containing materials and products in order to serve the increasing rate of orders, as well as inventory accumulations in anticipation of the

possibility of labor difficulties in major nickel-consuming industries in the United States. The additional demand for primary nickel also resulted from insufficient availability of nickel-containing steel scrap to meet steel production requirements, a temporary condition resulting from the speed with which steel production has risen.





In terms of fields of application, stainless steels, constructional alloy steels, and iron and steel castings together accounted for about 370,000,000 pounds of the free world's nickel consumption in 1964. The electroplating industry increased its use of nickel to nearly 100,000,000 pounds, and substantial gains were also registered in other major fields.

The annual nickel production-capability of the free world rose to an estimated 705,000,000-725,000,000 pounds. Producers in Canada account for almost 80 per cent of the current nickel production-capability of the free world, and International Nickel's contribution to Canada's capability is 440,000,000-450,000,000 pounds, reflecting a steady rise over the years. In 1961, completion of the Thompson project added an initial 75,000,000 pounds to our capability, bringing it to 385,000,000 pounds. Since that time, process improvements and expansion of the Company's mines and plants in both Ontario and Manitoba have increased our annual nickel production-capability by an additional 55,000,000-65,000,000 pounds.

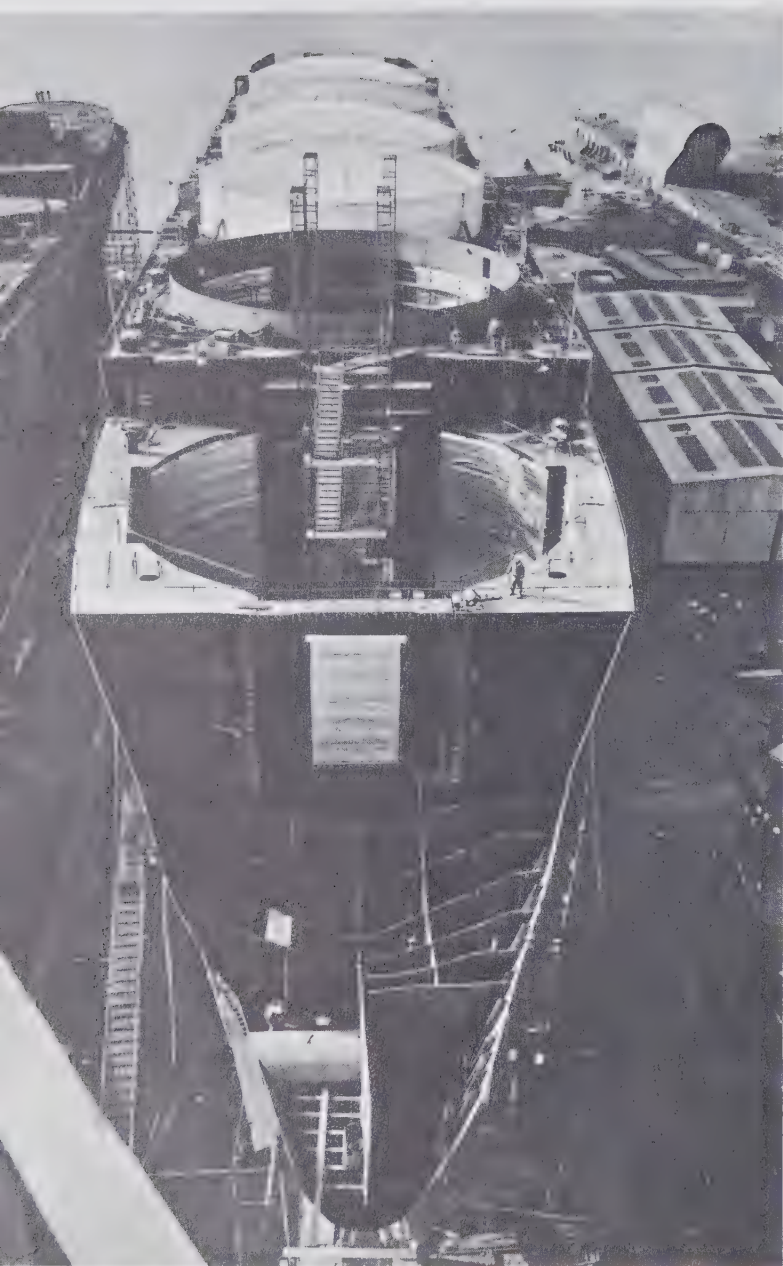
Late in 1964, the United States Government announced its provisional intention to dispose, over the next 12 years, of 340,000,000 pounds of nickel in its inventories which it presently considers surplus to its stockpile objective. The quantity for the first year was announced as 15,000,000 pounds. The first sales totaled more than 3,300,000 pounds.

The base price of refined nickel, unchanged since May 1962, continued at the equivalent of 77¾¢ (U.S.) per pound during 1964. In the United States the market price for refined nickel, including the 1¼¢ per pound United States import duty, remained at 79¢ per pound. Based on prevailing exchange rates, the corresponding price in Canada was 84¢ (Can.) per pound. In the United Kingdom the market price continued at £642 per long ton.

On January 1, 1965, the name of our United Kingdom subsidiary was changed to International Nickel Limited from The International Nickel Company (Mond) Limited. The new name identifies our marketing and other activities in the United Kingdom more closely with those of the Company in other parts of the world.

RESEARCH AND MARKET DEVELOPMENT

The objective of the International Nickel product research and market development organization, with its staff of scientists, engineers, technicians, and supporting personnel, is to build new markets and expand existing markets for nickel and to give service to our customers. Toward this end we seek to develop new alloys containing nickel and new processes employing nickel and its alloys or compounds; to find new and broader uses for nickel and nickel-containing materials; and to promote acceptance of nickel-containing products



*Cryogenic Tanks of 9% Nickel Steel in a
New Ship for Transporting Liquefied Gas*

produced by our customers. These activities have become increasingly significant because of nickel's contribution to quality and because science and industry are carrying on an intensive search for materials that will meet the new and exacting requirements of the modern world.

Several new products of International Nickel research were introduced commercially in 1964. One of these, a new type of maraging steel containing 12 per cent nickel, exhibits very high toughness at high yield strengths and was designed for the hull material of deep-diving submersibles. A wide variety of other possible uses is also being investigated. Another new product is a low alloy steel containing about one per cent nickel, with copper and columbium. It is designed as a low-cost steel to achieve high yield strength by means of a simple heat treatment, without the usual necessity of resorting to liquid quenching. Many structural applications are seen for this new steel. Also introduced in 1964 was 713LC, a new alloy containing 74 per cent nickel which was developed by our research staff. It offers high strength up to 1800°F and has been adopted for integrally cast turbine wheels for automotive and other industrial gas turbines.

Our market development program has been instrumental in steadily increasing the tonnage of 9 per cent nickel steel used in the field of cryogenics. The use of this steel, developed by International Nickel, for tanks and vessels for the storage and transportation of liquefied gas increased in 1964. In the United States, large storage facilities made of this steel were installed by utilities to meet peak

power demands. In Europe, the first commercial enterprise was established for liquefying low-cost natural gas in North Africa and transporting it by ship to France for consumption in that higher fuel cost area. The 9 per cent nickel steel is used for all structures on the ship in contact with the liquefied gas and for pipelines and storage tanks ashore.

Another steel developed by International Nickel — the 18 per cent maraging steel which was the first of the family of maraging steels — is becoming an accepted material of construction for the large missile cases of the space program in the United States. Its most dramatic application was in the rocket case of the huge 156-inch diameter prototype rocket booster recently test-fired successfully. Other applications are being found in a wide variety of machinery and of metal-working tools.

During the year, the Company's new product research laboratory at Sterling Forest, New York, named after the late Dr. Paul D. Merica, past President of International Nickel, was completed and officially dedicated. The former laboratory at Bayonne, New Jersey, was closed. In Canada, work will start soon on a new International Nickel research facility which will be part of the Sheridan Park Ontario Research Community, outside of Toronto. In the United Kingdom, work continued on the enlargement of the research laboratory at Birmingham.

Of significance to the nickel industry is the world shortage of silver. The continuing deficiency in the supply of silver in relation to demand is forcing curtailment of silver for coinage. Nickel



*Prototype Rocket Booster with
Case of 18% Nickel Maraging Steel*

has been used for coinage in more than 100 countries throughout the world and has long been regarded as an ideal and prestige coinage metal. In 1964 Australia specified cupro-nickel to replace silver, France adopted nickel for its 1/2-franc coin, and South Africa turned to nickel to replace a silver-copper alloy for four of its coins, including the 50-cent piece pictured on this page.

OTHER MARKETS

The Company's deliveries of copper, which is marketed under our "ORC" brand name, increased during 1964 as a higher rate of production at our operating mines made additional supplies available. Canada remained the principal market for our copper, with the balance going to the United Kingdom and Continental European markets.

After remaining unchanged for about two years, copper prices moved upward during 1964. In Canada the published price of copper, which had been 31 1/2¢ (Can.) per pound since May 1962, increased in March 1964 to 32 3/4¢ and in August to 35¢, the current price. In Europe, the producer price was £236 per long ton (29.5¢ U.S. per lb.) early in the year. At year-end it had reached £260 (32.5¢ U.S.), with the exception of Chilean copper which was priced at £280 (35¢ U.S.). In the United States, the producer price opened the year at 31¢ per pound and at year-end was 34¢.

The free-world market for platinum-group metals was strong throughout 1964 largely due to the continuing and broadening requirement for these precious metals in industrial uses. These applications currently account for approximately 94 per cent of consumption, a striking change from the 1920's when more than half of all platinum used went into jewelry.

The supply of platinum previously available to the free world from Russian sources has been greatly restricted since late 1963. As a consequence, platinum was in tight supply throughout 1964.

In the United States the average published price for platinum, which was \$83 per troy ounce at the end of 1963, increased until it reached its present level of \$98. The average published price for palladium increased from \$25 per troy ounce at the end of 1963 to \$33. Rhodium increased from \$138.50 to \$183.50 per troy ounce.

The New York published price for silver remained constant at \$1.293 per troy ounce as the United States Treasury continued its policy of making silver bullion available to consumers at this price level.

The enlarged iron ore recovery plant at Copper Cliff went into full production during the year, bringing its annual production-capability to 750,000 long tons of high-grade iron ore containing 68 per cent iron. Our increased deliveries reflect a continued demand for this product by the steel industries of Canada and the United States.

Output of Ductile Iron (S. G. Iron), an engineering material invented in the 1940's by our research



staff, passed the million-ton-a-year mark in 1964. Some 620 royalty-paying licensees in 30 countries produced an estimated 1,350,000 short tons of Ductile Iron, an increase of about 35 per cent over the previous high attained in 1963.

MINES

Our mines and plants in Canada operated at a higher level in 1964 than in the previous year, with the rate of production raised twice to meet increased demand for the Company's metals.

Total ore production from our Ontario and Manitoba mines during 1964 amounted to 16,439,000 short tons. This compares with 13,566,000 tons in 1963.

In the Sudbury District of Ontario, ore production from the Crean Hill mine was started early in the year and reached the planned production rate of 3,000 tons per day during the fourth quarter. Sinking of the No. 3 internal shaft at the Murray mine to 1,170 feet below the 3,000-foot level was completed. At the Copper Cliff North mine, the driving of drifts from the No. 1 shaft at a number of levels was started during the latter half of the year.

In fill mining operations, the use of cemented sand fill was greatly extended during the year, with resulting economies in timber consumption and increased operating efficiency.

A study was begun in selected locations at the Frood and Levack mines of a modified mining method — designated as "block-cut-and-fill-

mining" — which combines the economical blast hole method with cut-and-fill techniques. At the same time, studies were continued on problems in mining at depth at Creighton mine.

What is believed to have been the largest underground blast in the history of mining took place at Stobie mine during the latter part of 1964. The single blast, using low-cost blast hole methods, made available 3,750,000 tons of ore for removal.

In Manitoba, development work was carried on throughout the year at the Thompson mine in

*Ore Mined in 1964
Would Fill Over 600 Ore Cars
Every Day of the Year ►*



preparation for future production. Surface installations were advanced at the No. 3 shaft and sinking was scheduled to proceed early in 1965. Work went forward on the 1,400-level main haulage drift which ultimately will connect the No. 1 shaft with the No. 3 shaft and will service the north end of the mine. Preparations were also made for the deepening of the No. 1 shaft in 1965.

Commencement of the development of a new mine, known as the Birchtree mine, for production from our newly discovered ore body in the Thompson area of Manitoba, was announced in early 1964. The temporary surface plant for the development shaft of this new mine was completed during the year and sinking was advanced to 280 feet. The site was prepared for the production shaft and work was well under way on the shaft collar.

At year-end, underground development in our operating mines in Ontario and Manitoba had reached a cumulative total of 2,983,000 feet, or about 565 miles.

ORE RESERVES

The proven ore reserves of the Company's mines in the Sudbury District and in Manitoba stood at 303,767,000 short tons at December 31, 1964, with a nickel-copper content of 9,196,000 short tons. At the end of 1963, the proven ore reserves stood at 301,620,000 short tons, with a nickel-copper content of 9,093,500 short tons.

Since our practice of annually reporting ore reserves was first adopted, the Company has fol-

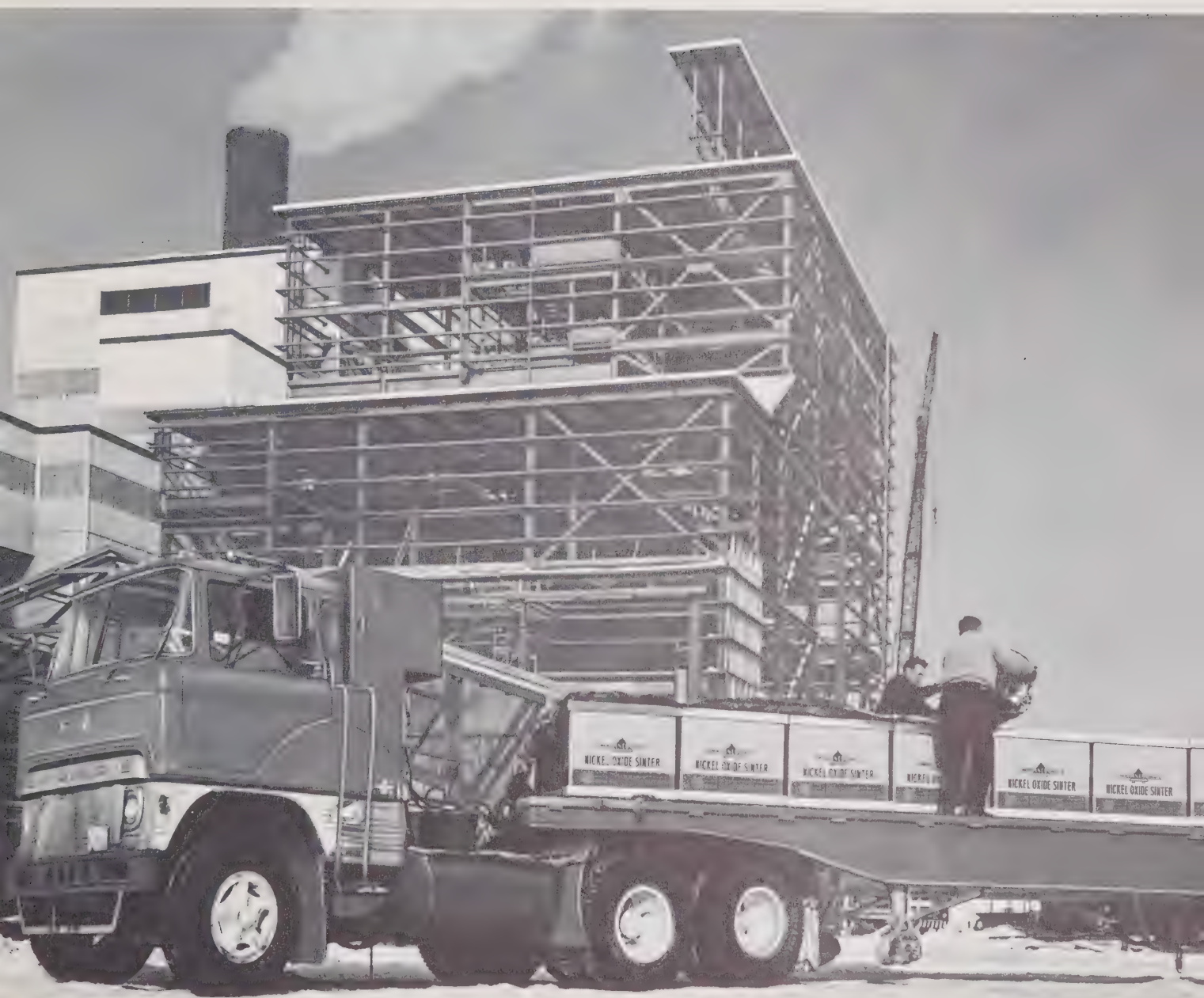
lowed the consistent policy of reporting only proven ore reserves, that is, blocks of economic ore which have been defined by drilling or otherwise, in sufficient detail and in accordance with our standard practice, to enable accurate calculation of the number of short tons of ore and its nickel and copper content.

PLANT AND PROCESS IMPROVEMENTS

The development of more efficient production processes continued throughout the year.

A major addition to the oxygen-producing plant at Copper Cliff was undertaken to expand the Company's use of tonnage oxygen in pyrometallurgical operations. Expected to go into production in mid-1965, the new unit — one of the largest of its kind in the world — will increase the plant's capacity to over 1,000 tons per day. Full scale studies have demonstrated that extension of the Company's pioneer use of oxygen in smelting will further improve the efficiency of the smelter at Copper Cliff.

A procedure has been developed in our research laboratories permitting output of a higher purity nickel oxide sinter for direct marketing. The new product, identified as Nickel Oxide Sinter 90, has been produced on a pilot plant scale for commercial evaluation by the steel industry in both North America and Europe. It will provide the steel industry with another lower-cost product which can be used in many applications in place of metallic nickel. Construction of a new plant is under way



New Nickel Oxide Sinter Plant Under Construction at Copper Cliff

at Copper Cliff for the commercial production of this product. The new Nickel Oxide Sinter 90 supplements our already-established Nickel Oxide Sinter 75, which will continue to be produced and sold.

The newly enlarged iron ore recovery plant went into full scale operation during the year. In addition to increasing the production of high-grade iron ore, the plant permits expanded output of a nickel oxide for use in the chemical and ceramic industries. Sulphur dioxide gas from the fluid bed roasters was supplied to others in greatly increased quantities for production of sulphuric acid.

At our Levack mill, facilities were installed for the recovery of pyrrhotite as additional feed for our iron ore recovery plant.

At the Port Colborne No. 1 research station, studies continued on the direct production of refined nickel from intermediate products. Work was carried forward at the No. 2 station on the extraction of nickel from various types of ores.

At the Thompson nickel refinery, production rates increased during the year by reason of greater efficiency of operations. As the result of the development of a new process for electrolyte purification, further improvements in the refinery are being undertaken which will permit savings in operating costs and will increase refinery capacity.

In the United Kingdom, a modernization project at the nickel refinery at Clydach, Wales, was initiated during the year. This major program, involving installation of new equipment of advanced design, is scheduled for completion by mid-1966.

At the platinum-group metals refinery at Acton (London), alterations were made to the laboratories and new equipment was installed to facilitate the analytical control of refinery operations.

EXPLORATION

Exploration expenditures during the year in the Company's continuing worldwide search for new nickel deposits were \$7,589,000, compared with \$6,433,000 in 1963.

Surface exploration was emphasized in northern Ontario, as well as in Manitoba where sampling of the Birchtree ore body preceded the decision to develop it as a mine. A major program in northern Quebec was continued, as were the exploration programs in the Northwest Territories and property examinations in nearly all of the Canadian provinces. Because of our increased interest in British Columbia, an exploration office is planned for this province.

The underground development and sampling programs at the Thompson mine continued to provide satisfactory results; and in the Sudbury District surface and underground exploration was carried out at the producing mines and elsewhere. At Murray mine, the completion of the No. 3 internal shaft made available the 4,000-level horizon for deep exploration.

Outside of Canada, exploration proceeded at a level comparable to 1963, with programs continuing in Guatemala, the South Pacific, Africa, the United States and elsewhere.

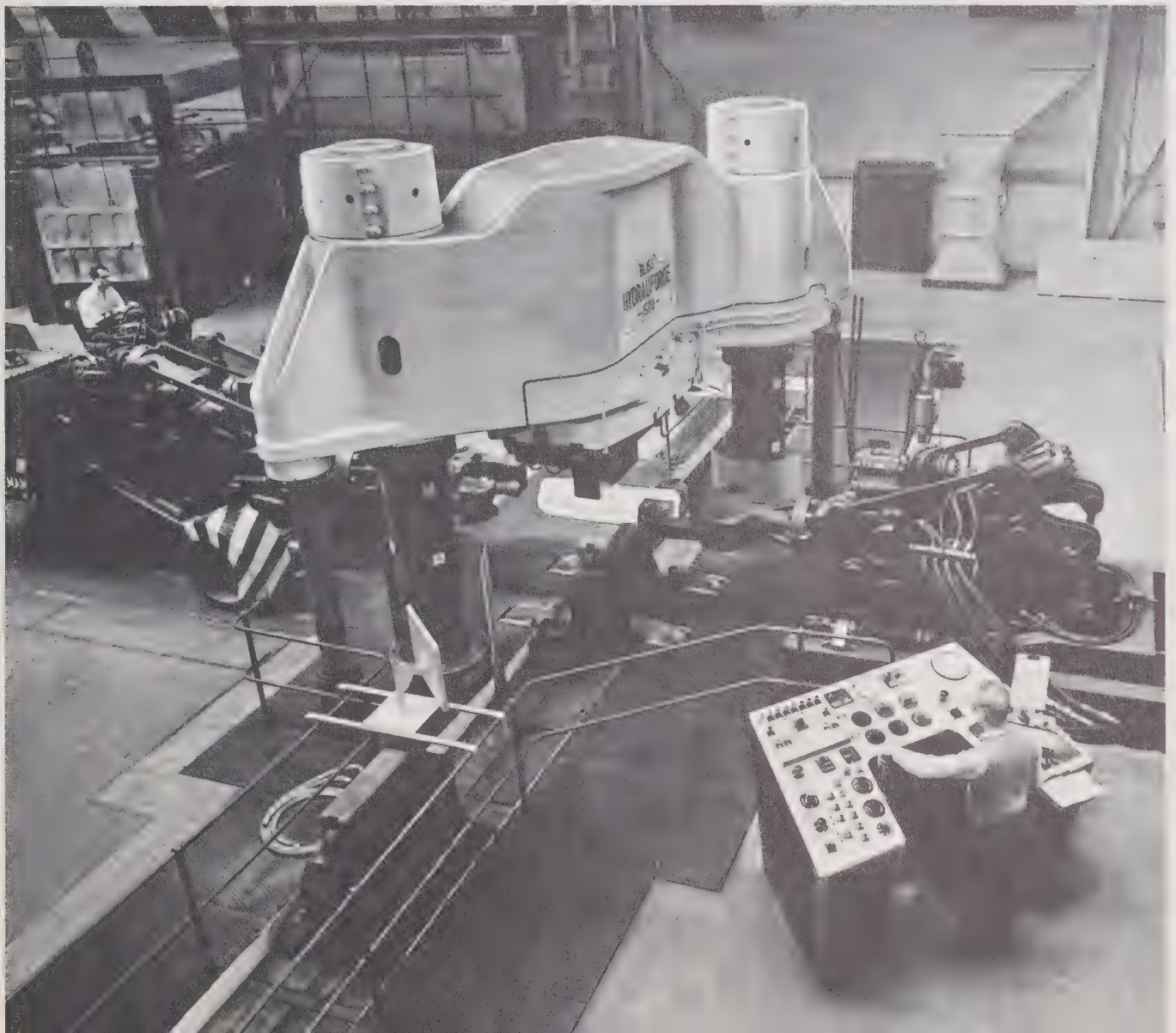
*Forging Ingots on Forging Press
at Hereford Plant ►*

ROLLING MILL DIVISIONS

Deliveries of nickel and high-nickel alloys produced by our rolling mill divisions at Huntington, West Virginia, and Hereford, England, totaled 76,340,000 pounds, exclusive of anode bars for electroplating. This compares with 71,410,000 pounds in 1963.

In the United States, direct sales continued at the level of the previous year and sales through dis-

tributors increased. Market development activities in support of established alloys, as well as for newly introduced alloys, showed encouraging results. In the United Kingdom, the order intake for all products increased, particularly in the gas turbine field. Two recently developed aircraft alloys gained further acceptance in both established and new aero-engine designs. Overall production improved and inventories of intermediate stocks were expanded for increased service to customers.





Rolling Ingots on New Primary Rolling Mill in Huntington Plant

At Huntington, the new primary rolling mill and forging press were substantially completed, commissioned, and put into operation. Foundation and general construction work was started on new facilities for the more economical production of sheet and strip. The integration of wire drawing with the manufacture of welding products, which will result in higher production rates and manufacturing economies, was completed.

At Burnaugh, Kentucky, construction began on a multiple-bay building to house a "special projects" plant for the development of specialized high-nickel rolling mill alloys.

In the United Kingdom, the concentration at Hereford of rolling mill operations, formerly carried on in Birmingham and Glasgow, was completed during the year. The hot sheet rolling mill transferred from Birmingham was put into operation and production techniques for the Hereford plant were further improved. The site of the Glasgow plant was sold.

CAPITAL EXPENDITURES

Capital expenditures during the year amounted to \$44,375,000, compared with \$36,032,000 in 1963 and \$61,033,000 in 1962.

Outlays in 1964 included \$19,278,000 for mine development in Ontario and Manitoba and expansion and improvement of the Company's smelting and refining plants in Canada and the United Kingdom. New facilities in our rolling mills in the

United States and the United Kingdom involved expenditures of \$19,519,000, including \$11,525,000 for the new rolling mill and forging press facilities at Huntington. Expenditures of \$4,972,000 were made on our product research laboratories, and the balance of \$606,000 was expended for capital items at the Company's other properties.

SHAREHOLDERS

The number of shareholders of record at December 31, 1964 was 63,993, compared with 64,178 at the previous year-end.

EMPLOYEES

At the end of 1964, the Company and its subsidiaries had 30,501 employees distributed over 14 countries as follows: Canada, 20,910; United Kingdom, 5,848; United States and other countries, 3,743. Fully 3,762 have served more than 25 years and are members of the Company's Quarter Century Club.

At December 31, 1964 there were 3,181 former employees and beneficiaries receiving pensions under the Company's Retirement System and other pension plans.

In September 1964, following lengthy negotiations and a four-week strike, a collective bargaining agreement was reached covering the hourly-paid employees at Thompson. The agreement will expire in 1967.

MANAGEMENT

At the meeting of the Board of Directors on April 22, 1964, the following management changes were made:

Ralph H. Waddington, Vice-President, was elected Senior Vice-President. He joined International Nickel in 1923.

Albert P. Gagnebin, Vice-President, was elected Executive Vice-President. He joined International Nickel in 1930.

James C. Parlee, Vice-President, was elected Executive Vice-President. He joined International Nickel in 1933.

John A. Marsh was elected Vice-President, and continues also as President of our Huntington Alloy Products Division. He joined International Nickel in 1928.

ANNUAL MEETING

The Chairman will make an oral report to shareholders at the Annual Meeting which will be held in Toronto, Ontario, on April 21, 1965. The Chairman's Address will be printed and mailed to the shareholders after the meeting.

OUTLOOK

We have completed the finest year in our history. As we enter 1965 we are stepping up our activities throughout the entire organization and have com-

mitted ourselves during these twelve months to expend \$100,000,000 as an investment in our future. Capital expenditures — to develop our mines for sustained larger output and to exploit opportunities for plant innovations revealed by our process research — will increase to some \$70,000,000, and we will do more than this if we can. Our worldwide exploration to strengthen further our ability to keep future supplies of nickel ahead of surges in demand will be more extensive than ever and require expenditures of over \$10,000,000. Another \$20,000,000 is scheduled to support research on extractive metallurgy and process improvements devoted towards cost savings and the most efficient utilization of all types of nickel ores including the lower grades whose recovery otherwise would not be economically feasible — research on new and improved alloys and products containing nickel — and market development programs to enlarge future markets for our and our customers' products.

Before the year is over our large new plant for the production of nickel oxide sinter will be in commercial operation. It will provide the steel industry in volume with another lower-cost form of nickel and strengthen also our commercial position.

The development of our new Birchtree mine in Manitoba is being speeded up and is now scheduled for production in 1967. Additionally we are able to announce the opening of three small Sudbury District nickel mines — the Totten and McLennan, which will come into production in 1965,

and the Kirkwood, which will be producing in 1966. Also the acceleration of our exploration will permit us to reach a conclusion this year regarding the opening of other new mines.

We expect to realize larger production from our mines and plants and also from our rolling mill operations. In 1965 we plan to produce 60,000,000 more pounds of nickel than we did in 1964. The favorable impact of this is not confined to ourselves and our customers but extends significantly also to Canada's international balance of payments and to the level of employment and general prosperity in the communities where we have our operations.

As the year opened we had increased the world-wide employment we provided a year ago by more than 3,500 persons. This increase will grow further during the year and should bring the total number of our employees and pensioners to about 35,000. They, along with our large body of shareholders, constitute some 100,000 men and women who, with their families, have a direct stake in our success and to whom your management feels its responsibilities.

Looking to the general conditions affecting our business, we think that in Canada, the United

States, the United Kingdom and Continental Europe overall economic activity for the year will be as great as or greater than in 1964. Our business is in the favorable position to cope with shifts of industrial activity in individual areas because our markets are widely diversified both geographically and by categories of use. Nickel markets are international in scope, and even the largest of the many consuming industries we serve — motor vehicle manufacturing or petroleum and chemical equipment manufacturing — accounts for a relatively small portion of the total nickel demand.

Our industry has arrived at a new high plateau of nickel demand which we believe in very large part reflects real consumption. We predict that demand on the industry and on ourselves for 1965 will continue to be heavy and that the end of the year will find our market gains on a very solid foundation for further steady future expansion. Demand and prices for our other principal products are also expected to remain strong.

Altogether, therefore, we look forward to the rest of this year and afterwards with much optimism and we anticipate that 1965 will be another year of very substantial earnings.

BY ORDER OF THE BOARD OF DIRECTORS,

HENRY S. WINGATE

Chairman

J. ROY GORDON

President

Consolidated Assets and

	1964	1963
CURRENT ASSETS		
Cash	\$ 24,624,000	\$ 19,334,000
Government and Other Securities	128,490,000	61,843,000
Accounts Receivable less provision for doubtful accounts	93,902,000	73,019,000
Inventories of finished and in process metals, and supplies	190,384,000	207,806,000
	<u>437,400,000</u>	<u>362,002,000</u>
SECURITIES HELD FOR PENSION PLANS.....	<u>6,524,000</u>	<u>6,314,000</u>
OTHER ASSETS		
Miscellaneous Securities	3,233,000	4,488,000
Charges to Future Operations.....	1,055,000	1,042,000
	<u>4,288,000</u>	<u>5,530,000</u>
PROPERTIES, PLANT AND EQUIPMENT	835,842,000	800,963,000
Less — Depreciation and Depletion.....	385,571,000	365,217,000
	<u>450,271,000</u>	<u>435,746,000</u>
	<u>\$ 898,483,000</u>	<u>\$ 809,592,000</u>

APPROVED ON BEHALF OF THE BOARD OF DIRECTORS:

HENRY S. WINGATE }
J. ROY GORDON } *Directors*

Liabilities December 31, 1964

EXPRESSED IN UNITED STATES CURRENCY

	1964	1963
CURRENT LIABILITIES		
Accounts Payable and Payrolls	\$ 41,469,000	\$ 35,117,000
Taxes based on Income	53,893,000	34,231,000
	<u>95,362,000</u>	<u>69,348,000</u>
PROVISIONS FOR		
Future Income Taxes	58,000,000	56,400,000
Pension Plans	6,524,000	6,314,000
	<u>64,524,000</u>	<u>62,714,000</u>
EXCHANGE, INSURANCE AND OTHER RESERVES	<u>25,148,000</u>	<u>23,233,000</u>
CAPITAL		
Common Shares		
Authorized 36,000,000 shares without nominal or par value.		
Issued 29,573,419 shares (1963—29,488,462 shares)	79,958,000	75,323,000
Capital Surplus	61,036,000	61,036,000
Retained Earnings and Capital Gains Employed in the Business	572,455,000	517,938,000
	<u>713,449,000</u>	<u>654,297,000</u>
	<u>\$ 898,483,000</u>	<u>\$ 809,592,000</u>

The explanatory financial section on pages 29 to 34 is an integral part of this statement.

The Auditors' Report appears on page 35.

Consolidated Earnings for the Year Ended December 31, 1964

EXPRESSED IN UNITED STATES CURRENCY

	1964	1963
NET SALES	\$ 572,070,000	\$ 466,807,000
COSTS AND EXPENSES		
Costs	310,308,000	259,777,000
Selling, General and Administrative Expenses..	30,110,000	27,962,000
	<u>340,418,000</u>	<u>287,739,000</u>
OPERATING EARNINGS before items shown below	231,652,000	179,068,000
OTHER INCOME	4,204,000	1,862,000
	<u>235,856,000</u>	<u>180,930,000</u>
PROVISION FOR		
Taxes based on Income	66,684,000	43,622,000
Depreciation and Depletion	27,457,000	26,187,000
Pension Plans	5,947,000	4,810,000
	<u>100,088,000</u>	<u>74,619,000</u>
NET EARNINGS	\$ 135,768,000	\$ 106,311,000
Net Earnings per Common Share.....	\$4.59	\$3.60
Shares outstanding at end of year.....	29,573,419	29,488,462

Consolidated Retained Earnings and Capital Gains Employed in the Business

EXPRESSED IN UNITED STATES CURRENCY

	1964	1963
BALANCE AT BEGINNING OF YEAR	\$ 517,938,000	\$ 477,922,000
NET EARNINGS	135,768,000	106,311,000
	<u>653,706,000</u>	<u>584,233,000</u>
DIVIDENDS PAID ON COMMON SHARES	81,251,000	66,295,000
BALANCE AT END OF YEAR	\$ 572,455,000	\$ 517,938,000

The explanatory financial section on pages 29 to 34 is an integral part of these statements.

Explanatory Financial Section

GENERAL

The statements consolidate the accounts of the Company and wholly owned subsidiaries in Canada, the United Kingdom, the United States and other countries. For convenience, comparative figures are also shown for the preceding year, and figures are stated to the nearest thousand dollars.

As in past years, the statements are expressed in United States currency, conversions from other currencies having been made at applicable rates and in accordance with the Company's regular accounting practice. The Canadian dollar remained within the Government of Canada official limits, 91½¢-93½¢ (U.S.), and the mean of 92½¢ has been used for conversions where applicable. Sterling remained within the Bank of England official limits, \$2.78-\$2.82 (U.S.), and the mean of \$2.80 has been used for conversions where applicable.

NET SALES

In 1964 net sales totaled \$572,070,000 as compared with \$466,807,000 in 1963, an increase of \$105,263,000. The increase in deliveries of nickel was the principal factor responsible for the increase in 1964 net sales.

COSTS AND EXPENSES

In 1964 costs and expenses totaled \$340,418,000 as compared with \$287,739,000 in 1963, an increase of \$52,679,000.

Selling, general and administrative expenses include \$185,000 of fees to directors who are not executive officers and do not hold salaried positions, and \$1,811,000 of salaries and fees to executive officers and directors holding salaried positions and of counsel and solicitors' fees.

OTHER INCOME

Other income included in earnings comprised:

	1964	1963
Interest and dividends	\$4,179,000	\$1,743,000
Net gain on sale of assets.....	25,000	119,000
Total	<u>\$4,204,000</u>	<u>\$1,862,000</u>

TAXES BASED ON INCOME

During the year \$66,684,000 was provided for taxes based on income, of which \$52,901,000 was for Canadian taxes and \$13,783,000 principally for United Kingdom and United States taxes.

The provision for taxes is \$23,062,000 higher than in 1963 and reflects the increase in earnings in 1964 and the termination on June 14, 1964 of the three-year "new mines" exemption provided by the Canadian Income Tax Act for our Thompson mine operation. The "new mines" exemption for our smaller Clarabelle open pit mine operation will continue until April 30, 1965.

The provision for taxes recognizes the depreciation recorded in the accounts in conformity with the Company's regular accounting practice. However, in accordance with tax regulations of Canada, the United Kingdom and the United States, depreciation deductions for tax purposes have been made in amounts greater than the provisions for depreciation in the accounts. As a result, \$1,600,000 of the provision for taxes has been carried to the separate account for future income taxes. This account at the end of the year aggregated \$58,000,000, including \$50,300,000 for Canadian taxes. In future years this account will decrease at such times as depreciation deductions for tax purposes are less than provisions for depreciation in the accounts.

At the end of the year, the current liability for taxes, after required prepayments during the year, was \$53,893,000 of which \$36,911,000 was for Canadian taxes and \$16,982,000 principally for United Kingdom and United States taxes.

WORKING CAPITAL

Summary of changes in working capital:

Working capital at beginning of year		\$292,654,000
Additions:		
Net sales	\$572,070,000	
Other income	4,204,000	
Issue of shares under stock option plan	4,635,000	
Other assets	1,242,000	582,151,000
		<u>874,805,000</u>
Deductions:		
Costs and expenses, and pension provisions		
(less \$4,308,000 of miscellaneous		
write-offs and reserve adjustments)	\$342,057,000	
Taxes based on income		
(less \$1,600,000 of future taxes)	65,084,000	
Capital expenditures	44,375,000	
Dividends paid on common shares	81,251,000	532,767,000
Working capital at end of year		<u><u>\$342,038,000</u></u>

The increase in working capital amounted to \$49,384,000, comprising an addition of \$75,398,000 in current assets offset by an increase of \$26,014,000 in current liabilities.

INVENTORIES

Inventories included in working capital comprise:

	December 31, 1964	December 31, 1963
Metals, finished and in process	\$158,630,000	\$177,576,000
Supplies	31,754,000	30,230,000
Total inventories	<u><u>\$190,384,000</u></u>	<u><u>\$207,806,000</u></u>

Following the Company's regular accounting practice, values are based on the lower of cost or market prices; cost for metals is production or purchase cost, and for supplies is average purchase cost. Inventory quantities were adjusted from time to time throughout the year to physical stock-takings. At the end of the year there were no substantial purchase commitments at prices in excess of market levels.

GOVERNMENT AND OTHER SECURITIES

Government and other securities are carried at cost, which approximated market values at each year-end. Securities included in working capital comprise:

	December 31, 1964	December 31, 1963
Time deposits and government and prime commercial securities maturing within twelve months	\$109,722,000	\$43,131,000
Government and prime commercial securities maturing thereafter	18,768,000	18,712,000
Total government and other securities	<u>\$128,490,000</u>	<u>\$61,843,000</u>

PENSION PLANS

In addition to assets held in Trust Funds by Trustees under Company pension plans, the Company held \$6,524,000 of securities at the year-end, representing the amount set aside for pension plan benefits payable directly by the Company. A summary of pension plan transactions during the year follows:

Balance at beginning of year		\$ 6,314,000
Add: Provision from earnings in 1964		5,947,000
		<u>12,261,000</u>
Deduct:		
Contributions paid or payable to Trustees....	\$5,385,000	
Benefits paid directly by the Company.....	352,000	5,737,000
		<u>5,737,000</u>
Balance at end of year		<u>\$ 6,524,000</u>

PROPERTIES, PLANT AND EQUIPMENT

Changes in these accounts during the year are summarized as follows:

	Properties, Plant and Equipment	Depreciation and Depletion	Net
Balance at beginning of year	\$800,963,000	\$365,217,000	\$435,746,000
Additions in 1964	44,375,000	27,457,000	16,918,000
	<u>845,338,000</u>	<u>392,674,000</u>	<u>452,664,000</u>
Write-offs in 1964	9,496,000	7,103,000	2,393,000
Balance at end of year	<u>\$835,842,000</u>	<u>\$385,571,000</u>	<u>\$450,271,000</u>

Properties acquired in 1918 from a predecessor company are taken at cost measured by the par value of stock issued for stock of that company; an ore body discovery is at value fixed by the Directors in 1923; properties owned by International Nickel Limited prior to its merger, January 1, 1929, are at the valuation established by its Directors and appearing in their report to shareholders for the eight months' period ended December 31, 1928; other items are at cost.

The established policy relative to depreciation and depletion was continued during the year and provisions were made which, in the judgment of the management, will result in accumulated provisions adequate to offset, at the expiration of the estimated economic lives of the properties, the recorded cost of the investment in properties, plant and equipment. This policy is supported by studies made periodically of such lives of the properties. The total provision for the year of \$27,457,000 includes depreciation of \$24,283,000 and depletion of \$3,174,000. At the end of the year, after write-offs of \$7,103,000 for depreciable properties, plant and equipment, the accumulated provisions were \$290,078,000 for depreciation and \$95,493,000 for depletion. Miscellaneous expenditures of \$2,393,000 capitalized in prior years were charged to costs and expenses.

EXCHANGE, INSURANCE AND OTHER RESERVES

Changes in these reserves during the year were as follows:

Balance at beginning of year	\$23,233,000
Add provision for:	
Self-insurance	\$ 1,000,000
Operating purposes	<u>1,937,000</u>
	2,937,000
	<u>26,170,000</u>
Deduct: Currency exchange adjustments	<u>1,022,000</u>
The year-end reserves are for:	
Self-insurance	\$11,000,000
Exchange	8,269,000
Operating	<u>5,879,000</u>
Balance at end of year	<u>\$25,148,000</u>

CAPITAL

The Key Employees Stock Option Plan, ratified by shareholders at the Annual Meeting on April 24, 1957, authorizes the granting of options on 700,000 unissued common shares at prices not less than 95% of the fair market value on the day the option is granted. The options are exercisable in installments beginning one year after date of grant over a period not exceeding ten years from the date of grant.

During the year the Company issued 84,957 shares upon the exercise of options, and the payment to the Company of the option prices for such shares aggregated \$4,635,000. No options to purchase stock were granted in 1964. Options for 8,270 shares expired and at December 31, 1964 there remained 229,851 shares subject to outstanding options which had been granted during the years 1956 through 1962 to purchase shares at prices ranging from \$34.62½ to \$72.50 per share. Since the inception of the plan and to the end of 1964 options were exercised for a total of 405,369 shares and options for 46,550 shares expired. As a result at December 31, 1964, a balance of 64,780 shares remained available for future grants of options out of the total 700,000 shares authorized.

Capital surplus was unchanged during the year. It includes \$11,664,000 representing the amount received in 1930 for common shares in excess of the capital value assigned thereto, this amount being "distributable surplus" as defined by the Companies Act, Canada.

Auditors' Report

*To the Shareholders of
The International Nickel Company of Canada, Limited:*

We have examined the financial statements appearing on pages 26 through 34 of this report. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the companies, the financial statements are properly drawn up so as to exhibit a true and correct view of the state of the affairs of The International Nickel Company of Canada, Limited and wholly owned subsidiaries at December 31, 1964 and the results of their operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

February 23, 1965

PRICE WATERHOUSE & Co.

Trust Funds

Retirement System and Other Pension Plans

There are five irrevocable Trust Funds in Canada, the United States and the United Kingdom to implement the Retirement System and other pension plans for the Company's employees. While the accounts of these Trust Funds are separate and distinct from the accounts of the Company and its subsidiaries, a summary of the audited accounts of the five funds appears in the ensuing paragraph for general information purposes.

At the beginning of the year Government bonds and other marketable securities, at cost, and cash and other assets in the hands of the Trustees aggregated \$155,581,000. During the year Company contributions paid or payable to the Trustees were \$5,385,000, income from investments was \$9,185,000, and Retirement System and other pension plan benefits of \$4,853,000 were paid from the Trust Funds. These figures are expressed in United States currency, and exchange adjustments during the year resulted in a decrease of \$14,000 in terms of that currency. Accordingly, on December 31, 1964 the Trustees had assets in hand of \$165,284,000.

At February 23, 1965 the Trustees of the three Canadian Trust Funds and of the United States and British Funds were:

CANADIAN FUNDS

R. Samuel McLaughlin, Oshawa, Ont.
H. C. F. Mockridge, Toronto, Ont.
G. Arnold Hart, Montreal, P.Q.
Allen T. Lambert, Toronto, Ont.
F. M. A. Noblet, Darien, Conn.
E. C. Patterson, Bedford, N. Y.

UNITED STATES FUND

E. C. Patterson, Bedford, N. Y.
J. C. Traphagen, West Nyack, N. Y.
F. M. A. Noblet, Darien, Conn.
William C. Bolenius, Cutchogue, N. Y.
R. Samuel McLaughlin, Oshawa, Ont.
H. C. F. Mockridge, Toronto, Ont.

BRITISH FUND

International Nickel (Retirement System)
Trustees Limited, London

Principal Properties, Plants and Laboratories

PRODUCING MINES

SUDBURY DISTRICT, ONTARIO — Creighton, Frood-Stobie, Garson, Levack, Murray, Crean Hill and Clarabelle
THOMPSON, MANITOBA — Thompson

CONCENTRATORS

COPPER CLIFF, CREIGHTON AND LEVACK, ONTARIO; THOMPSON, MANITOBA

SMELTERS

COPPER CLIFF, ONTARIO — *Nickel oxide sinters*; CONISTON, ONTARIO; THOMPSON, MANITOBA

IRON ORE RECOVERY PLANT

COPPER CLIFF, ONTARIO — *High-grade iron ore; nickel oxide*

REFINERIES

PORT COLBORNE, ONTARIO — *Nickel metal; cobalt metal*

THOMPSON, MANITOBA — *Nickel metal; elemental sulphur*

COPPER CLIFF, ONTARIO — *Copper; gold, silver, selenium, tellurium; semi-refined platinum-group metals; nickel sulphate*

CLYDACH, WALES — *Nickel metal; nickel and cobalt salts and oxides; nickel powder; iron powder*

ACTON (LONDON), ENGLAND — *Platinum, palladium, rhodium, ruthenium and iridium*

PRODUCT RESEARCH LABORATORIES

STERLING FOREST, NEW YORK, AND HARBOR ISLAND, NORTH CAROLINA, U.S.A.

BIRMINGHAM AND ACTON (LONDON), ENGLAND

PROCESS RESEARCH LABORATORIES AND PILOT PLANTS

COPPER CLIFF AND PORT COLBORNE, ONTARIO; CLYDACH, WALES

ROLLING MILLS

PLANTS — HEREFORD, ENGLAND; HUNTINGTON, WEST VIRGINIA, U.S.A. — *Wrought nickel and high-nickel alloys*

RESEARCH LABORATORIES — HEREFORD, ENGLAND; HUNTINGTON, WEST VIRGINIA, U.S.A.

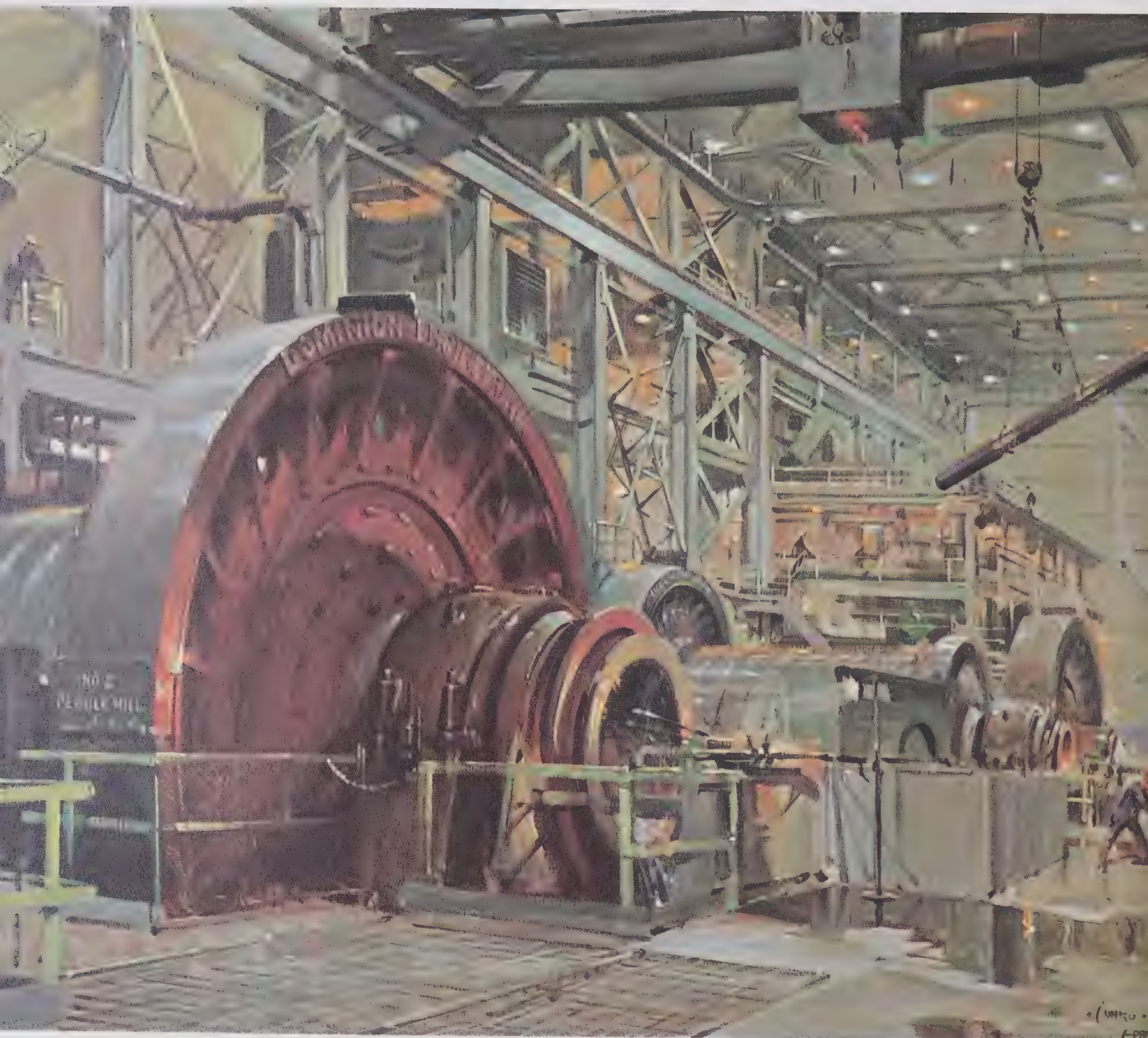
Fifteen Year Review of

Year	Net Earnings	Net Earnings* Per Common Share	Common Dividends	Dividends* Per Common Share	Income Taxes	Depreciation and Depletion
1964	\$ 135,800,000	\$ 4.59	\$ 81,300,000	\$ 2.75	\$ 66,700,000	\$ 27,500,000
1963	106,300,000	3.60	66,300,000	2.25	43,600,000	26,200,000
1962	94,200,000	3.19	55,900,000	1.90	37,400,000	24,300,000
1961	88,800,000	3.02	46,900,000	1.60	60,900,000	19,900,000
1960	80,700,000	2.76	44,500,000	1.52½	60,200,000	15,500,000
1959	85,200,000	2.91	43,800,000	1.50	58,800,000	14,600,000
1958	39,700,000	1.35	37,900,000	1.30	28,300,000	13,400,000
1957	86,100,000	2.95	54,700,000	1.87½	56,800,000	20,300,000
1956	96,300,000	3.25	54,700,000	1.87½	61,000,000	19,900,000
1955	91,600,000	3.07	54,700,000	1.87½	60,200,000	19,100,000
1954	65,300,000	2.17	42,300,000	1.45	43,400,000	17,800,000
1953	53,700,000	1.77	34,300,000	1.17½	43,900,000	12,900,000
1952	58,900,000	1.95	37,900,000	1.30	43,600,000	10,500,000
1951	62,900,000	2.08	37,900,000	1.30	48,100,000	9,100,000
1950	48,800,000	1.60	29,200,000	1.00	27,600,000	9,000,000

**As adjusted to reflect the split of the shares on a 2-for-1 basis in 1960.*

Financial and Operating Results

Capital Expenditures	Ore Mined (SHORT TONS)	Nickel Deliveries (POUNDS)	Copper Deliveries (POUNDS)	Platinum-Group Metals and Gold Deliveries (OUNCES)	Exploration Expenditures
\$ 44,400,000	16,400,000	444,200,000	286,500,000	544,800	\$ 7,600,000
36,000,000	13,600,000	350,700,000	253,600,000	439,400	6,400,000
61,000,000	13,800,000	318,200,000	267,300,000	410,800	5,900,000
46,000,000	17,500,000	372,500,000	268,700,000	443,000	7,400,000
76,000,000	16,800,000	351,900,000	292,500,000	409,400	8,900,000
66,900,000	15,300,000	317,000,000	252,500,000	420,900	8,000,000
54,400,000	9,500,000	205,800,000	210,600,000	189,400	7,400,000
43,900,000	16,000,000	290,100,000	280,800,000	382,800	8,900,000
23,000,000	15,500,000	286,100,000	271,300,000	411,100	8,200,000
26,900,000	14,200,000	290,500,000	263,200,000	487,700	5,200,000
22,300,000	14,500,000	282,000,000	253,300,000	300,700	5,300,000
21,100,000	13,700,000	251,400,000	234,300,000	309,000	6,100,000
19,300,000	13,200,000	249,000,000	234,300,000	329,500	5,000,000
23,700,000	11,800,000	243,900,000	237,000,000	413,500	2,600,000
18,700,000	9,800,000	256,400,000	212,900,000	303,900	1,700,000



Grinding Aisle at Thompson Mill – Painting by Terence Cuneo

The International Nickel Company of Canada, Limited

Address to Shareholders

by

HENRY S. WINGATE

Chairman of the Board

Annual Meeting

April 19, 1961

Toronto, Canada

The International Nickel Company
of Canada, Limited

Address to Shareholders Delivered
by Henry S. Wingate, Chairman
and Chief Officer of the Company,
at the Annual Meeting, Royal York
Hotel, Toronto, April 19, 1961

The Annual Meeting comes this year at a most auspicious time. Thompson, Manitoba, has started to produce. This is the best news I can bring to this meeting and to the many thousands of shareholders who will receive a copy of these remarks.

At the Annual Meeting four years ago we reported on the progress of our construction in northern Manitoba and said that the new project was scheduled to start nickel production in 1961. On March 25 of this year the nickel mining and refining enterprise at Thompson was formally dedicated, officially marking the first nickel production. In a matter of weeks, I expect the plant to be turning out nickel at a rate of more than 75,000,000 pounds a year.

I would like to express publicly our appreciation to these distinguished guests who participated in the dedication ceremonies:

The Honourable Duff Roblin, Premier of Manitoba.

The Honourable Paul Comtois, M.P., Minister of Mines and Technical Surveys.

The Honourable Walter G. Dinsdale, M.P., Minister of Northern Affairs and Natural Resources.

The Honourable Charles H. Witney, Minister of Mines and Natural Resources, Province of Manitoba.

Mr. Robert Simpson, M.P., Member for the Churchill District.

I also acknowledge with appreciation the messages sent to us at the ceremonies by the Prime Minister of Canada; the President of the Board of Trade of the United Kingdom; the Secretary of Commerce of the United States; the Ministers of Trade and Commerce and of Veterans Affairs of Canada; the United States Ambassador to Canada; and all the many other friends from whom we heard.

As Chairman of this meeting, I also want to pay tribute to our Senior Vice-President, Ralph D. Parker, and to our Vice-President and General Manager of the Manitoba Division, James C. Parlee, for the magnificent job they have done in bringing this new enterprise into being; and to extend our congratulations to Dr. John F. Thompson, who was Chairman and Chief Officer of the Company when the project was started, and for whom it has been named.

The start of nickel production at Thompson is the major event, but there are also other events of more than passing interest to the shareholder occurring since the Company's Annual Report for 1960 was released six weeks ago.

On March 7 an experimental United States Government airplane—the X-15—crossed the skies at the greatest speed ever attained by a manned vehicle, 2,905 miles per hour. The metal skin of the airplane reached a temperature of 700° Fahrenheit during flight, yet retained its strength. This metal skin is made of "Inconel X" alloy, one of a series of high-strength high-temperature nickel alloys developed by

our research staff and produced in our rolling mills. As a commentary on the versatility of nickel, another nickel alloy we have developed is for use in storing liquefied gases at temperatures as low as 320° Fahrenheit below zero. This is a 9 per cent nickel steel which we successfully demonstrated in 1960.

Then, on March 16, the Company announced a new nickel steel for applications involving exceptionally high pressure and stress. Containing 18 per cent nickel as well as lesser amounts of cobalt and other elements, this new steel has a combination of properties never before realized in other compositions. This new material was developed in our product research laboratories and will be freely available to the steel industry.

The fact that these developments occurred in the same month that the Thompson project went into production symbolizes International Nickel's activities both as a producer of nickel and as a builder of new markets for nickel. These developments illustrate the interplay of those forces which, over the years, has resulted in the continual lifting to higher levels both of the demand for nickel and of the world's capacity for producing nickel.

It is fitting that the new project should be the subject of major attention at this meeting. This enterprise is a very valuable addition to our assets — with important meaning to the Company and its shareholders, to Canada, to one of its great Provinces, and to nickel users everywhere.

The future of our entire business rests on two pillars — our ore reserves, and the markets for nickel. The Thompson project has added substantially to our ore reserves, and will for years continue to do so. At December 30, 1960, our proven ore reserves stood at a record of 290,273,000 short tons. This included for the Thompson mine 25,000,000 short tons, with a nickel-copper content of 742,500 short tons. This addition to our ore reserves is particularly significant since our major effort in Manitoba has been on preparing for production at the earliest possible date; and we have not concentrated on proving up as ore reserves the potential of ore in the Thompson mine or elsewhere in the area. Our decision in 1956 to undertake the development was based on our outlook that the nickel ores to be found in the Thompson-Moak Lake area would sustain our operations in Manitoba for many years to come. What we have learned in the intervening years about the ore deposits supports and strengthens our original judgment.

Thompson is the second largest producer of nickel in the world. Only our own Sudbury District operations here in Ontario are larger. Thompson increases our total nickel production capacity substantially. It provides us at the same time with multiple sources of nickel supply. It therefore plays a dual, important role in giving assurance to nickel users of the reliability of nickel supplies, which is essential to the maintenance and future growth of the demand for nickel. Moreover, our new operation has come at a most useful time, for nickel production capacity in

Cuba has ceased for the present to be available to the western world.

Our interest in assuring reliability of supplies was a factor in our decision to acquire and sell nickel belonging to the United States Government or its suppliers. These acquisitions, and their sale without profit at the same market prices at which we sell our own nickel, have helped to satisfy market demand and to build new markets pending the nickel production from Thompson. As a result, in 1960, we delivered a record of nearly 352,000,000 pounds of nickel, including over 51,000,000 pounds of purchased nickel. These and the similar further acquisitions continuing in 1961 lessen the United States Government's accumulations of surplus nickel and, at the same time, help us to build a strong stock position, which provides additional assurance to nickel users of the reliability of nickel supplies.

The Thompson project has special meaning also to our activities abroad, particularly in the United States and Europe. Since Canada's nickel requirements represented, even before our new project came into being, only a small fraction of Canada's production, we will have to find markets elsewhere for all of the 75,000,000 pounds which Thompson newly adds to our production. We are carrying on major market development programs in many world areas in an effort to build a demand sufficient to absorb our large exportable production. These programs are proceeding through our rolling mill operations in the United States and the United Kingdom

and through our sales and technical service offices and distributors and agents located throughout these markets and also in Germany, France, Sweden, Italy and other industrial countries of the world.

The fine relations which throughout the Company's history have been maintained between Canada and the United States have greatly facilitated and strengthened our ability to sell our nickel production. We therefore view with particular satisfaction every sign of still greater mutual understanding between the two countries. These signs include the visits between the Prime Minister of Canada and the President of the United States, the establishment and operation of official Canadian-United States committees at a high governmental level, and the newly-signed convention between the two countries on estate taxes.

The construction and completion of Thompson also turn out to have been well timed from the viewpoint of the Canadian economy. It is creating many employment opportunities for Canadians at this time of special need. It is also providing the basis for producing a still greater inflow of foreign exchange to assist in alleviating Canada's imbalance in international payments.

Nickel has long been a major producer of foreign exchange for Canada because the bulk of Canadian nickel production is sold in markets throughout the world. The completion of our new enterprise not only gives Canada more nickel for its export trade; it also encourages continued confidence in Canada's pro-

ducers by demonstrating anew to nickel consumers that Canada is the world's most dependable source of nickel supply.

Significantly, too, we may expect Thompson to have an important effect on the Company's prospects because of the extension which it represents in the life of our Company and the additional nickel it enables us to produce on which we can realize a profit. The full effect on our earnings of our enlarged capacity will, however, probably not be felt in 1961. While the indications are that our total deliveries in 1961 will be as large as a year ago, they will still include about 40,000,000 pounds of nickel which were acquired from others at market prices and are not from our own production.

This means that we probably will not sell in the present year the full amount of our own current production. The unsold nickel production will nevertheless be available for future years. The increase in the amount of nickel which Thompson provides will, therefore, have its full — even if delayed — effect upon our earnings.

I should also remind you that under the law our earnings from the Thompson project will be exempt from Canadian Federal income tax for the first three years. This assurance of exemption was one of the important factors in our original conclusion that we were justified in undertaking this great venture.

Until 1959 the Company's sales had never been as large as 300,000,000 pounds of nickel in a single year. In 1960 our deliveries passed the 350,000,000-pound mark. For the future our organization is geared to still higher deliveries.

In conclusion, I would like to direct your attention again to our forward outlook as expressed in the Annual Report:

“Our assessment of the short-range outlook shows the demand on us for nickel in the first few months of 1961 at about the same average monthly rate as during the last six months of 1960, or about five to ten per cent under the rate for all of 1960. European nickel demand continues strong. The looked-for improvement in United States demand, particularly from the steel industry, has not yet come but we expect that it will during the year. For the entire year our present view therefore is that we are likely to deliver as much nickel produced from our own mines and plants as we delivered in 1960, as well as again delivering a substantial quantity of nickel, not contributing to earnings, which we will have acquired under arrangements lessening the United States Government's accumulations of surplus nickel.

“We expect our copper deliveries will not contribute as much to profits as in 1960. The prospects are encouraging for our sales of rolling mill products and platinum metals.”

Our outlook for 1961 is no less encouraging than when these words were written for the Annual Report. I am also glad to be able to say that there are now some indications that the looked-for improvement in United States demand for nickel has commenced. Our earnings figures for the first quarter of 1961 are not yet available. The information we have, however, indicates that net earnings for the first quarter should compare not unfavorably with the \$18,000,000, or 62¢ per common share, reported for the last quarter of 1960.

THE INTERNATIONAL NICKEL COMPANY OF CANADA, LIMITED

(As of April 10, 1961)

Officers

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HENRY S. WINGATE

President
J. ROY GORDON

Honorary Chairman

<i>Senior Vice-President</i> RALPH D. PARKER	<i>Chairman Executive Committee</i> JOHN F. THOMPSON	<i>Vice-President</i> RALPH H. WADDINGTON
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<i>Vice-President</i> I. A. BAILEY	<i>Vice-President</i> R. A. CABELL	<i>Vice-President</i> A. P. GAGNEBIN	<i>Vice-President</i> J. C. PARLEE
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<i>Secretary</i> WILLIAM F. KENNEDY	<i>Treasurer</i> F. M. A. NOBLET	<i>Comptroller</i> WALTER A. MCCADDEN
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Directors

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R. SAMUEL McLAUGHLIN*†	Oshawa, Ont.
H. R. MACMILLAN, C.B.E.†	Vancouver, B. C.
HENRY S. WINGATE*†	New York, N. Y.
J. C. TRAPHAGEN*	West Nyack, N. Y.
H. C. F. MOCKRIDGE, Q.C.*	Toronto, Ont.
THE RT. HON. VISCOUNT MARGESSON, P.C., M.C.†	London, England
DONALD H. McLAUGHLIN	San Francisco, Calif.
SIR OTTO E. NIEMEYER, G.B.E., K.C.B.	London, England
R. EWART STAVERT	Montreal, P. Q.
GEORGE C. SHARP	Katonah, N. Y.
SIR RONALD L. PRAIN, O.B.E.	Salisbury, Southern Rhodesia
THE HON. LEWIS W. DOUGLAS	Sonoita, Ariz.
J. ROY GORDON*†	New York, N. Y.
THEODORE G. MONTAGUE*	Greenwich, Conn.
RALPH D. PARKER	Toronto, Ont.
ELLMORE C. PATTERSON	Mount Kisco, N. Y.
THE RT. HON. VISCOUNT WEIR, C.B.E.	Glasgow, Scotland
NORRIS R. CRUMP	Montreal, P. Q.
WILLIAM C. BOLENIUS	New York, N. Y.
WILLIAM K. WHITEFORD	Pittsburgh, Pa.
JAMES H. GOSS	Rye, N. Y.
JAMES A. RICHARDSON	Winnipeg, Man.
G. ARNOLD HART, M.B.E.	Montreal, P. Q.

* Member Executive Committee.

† Member Advisory Committee.

Members of the Advisory Committee, in addition to those indicated above, are THE RT. HON. LORD MCGOWAN, K.B.E., and LANCE H. COOPER, M.B.E., in London, E. C. GILL in Toronto, LAURANCE S. ROCKEFELLER in New York, and GRANT B. SHIPLEY in Pittsburgh.

